

**CITY COUNCIL OF THE CITY OF SAN DIEGO
SUPPLEMENTAL DOCKET NUMBER 1
FOR THE REGULAR MEETING OF
MONDAY, JANUARY 30, 2006 AT 2:00 P.M.
CITY ADMINISTRATION BUILDING
COUNCIL CHAMBERS – 12TH FLOOR
202 “C” STREET
SAN DIEGO, CA 92101**

**ADOPTION AGENDA, CONSENT ITEMS
ORDINANCES TO BE INTRODUCED:**

* ITEM-S400: Power Purchase Agreement and Site License Agreement with Sun Edison SD, LLC, for Purchase of electricity at Alvarado Water Filtration Plant.

(See Report to City Council No. 06-013. Navajo Community Area. District 7.)

STAFF’S RECOMMENDATION:

Introduce the following ordinance:

(O-2006-89)

Introduction of an Ordinance authorizing a 20-Year Power Purchase Agreement with Sun Edison SD, LLC, for the purchase of electricity at the Alvarado Water Filtration Plant; allowing Sun Energy SD to finance, install, own, operate, maintain, and generate renewable energy at the Alvarado Filtration Plant; authorizing other Power Purchase Agreements with Sun Edison SD subject to City Council approval; and finding no Environmental Impact.

STAFF SUPPORTING INFORMATION:

In early 2005, the Energy Division developed a Request for Qualification targeted towards firms or a team of firms that could provide the City with renewable power at prices equal to or better than the local utility. More than 70 firms were issued copies of the Request for Qualification. Ultimately, six firms responded to the Request for Qualification.

During the final selection process, Sun Edison SD LLC provided the City with the best proposal for the design, installation and maintenance of a large scale photovoltaic installation at the Alvarado Filtration Plant. Additionally, Sun Edison SD LLC provided the best purchase price per kilowatt hour.

Under the proposed terms of the Power Purchase Agreement, Sun Edison SD LLC will be responsible for designing and installing approximately 928 kilowatts of Photovoltaics at the Alvarado Filtration Plant, and provide for the future designs and installations of Photovoltaic systems at other City owned facilities over the next 5 years.

ADOPTION AGENDA, CONSENT ITEMS (Continued)
ORDINANCES TO BE INTRODUCED: (Continued)

* ITEM-S400: (Continued)

STAFF SUPPORTING INFORMATION: (Continued)

Under this agreement, all Photovoltaic systems will be installed, owned, operated and maintained by Sun Edison SD LLC, for a period of 20 years from the date the systems are commissioned and begin generating electricity for the City of San Diego.

FISCAL CONSIDERATIONS:

The installation of Photovoltaics at the Alvarado Filtration Plant will save the City approximately \$710,500 dollars in energy cost at the Alvarado Treatment Plant over the next twenty years. Future energy pricing is anticipated to increase at a rate of 2 percent per year. Currently, the average energy cost for the Alvarado Filtration Plant is 0.13 cents per kWh. The cost of renewable energy under this proposed agreement is fixed at 0.12 cents per kilowatt hour (kWh) in the first year, with an escalation of 1 percent per year over the next twenty years.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

On September 14, 2004 the Rule, Finance and International Relations Committee voted 5-0 to direct the City Manager to issue a Request for Proposal (RFP) to develop partnership(s) to install solar systems using funding methods that minimize impact to City funds.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

In January 2005 the Environmental Services Department, Energy Conservation and Management Division advertised a Request for Qualification and Proposal. The City placed advertisements in the San Diego Daily Transcript, the Voice and the Viewpoint.

KEY STAKE HOLDERS & PROJECTED IMPACTS:

Sun Edison LLC is the primary stake holder on this project. The Investor Company providing financing to Sun Edison LLC for the installation of 928 kilowatts of Photovoltaics is Goldman Sacks.

Heap/Blair/JH

Aud. Cert. 2600562.

Staff: John Helminski - (858) 492-6005
Frederick M. Ortlieb - Deputy City Attorney